

FISCAL NOTE

HB 3072 - SB 3042

February 20, 2002

SUMMARY OF BILL:

- Abolishes the Department of Economic and Community Development, effective July 1, 2002. Transfers the duties of the department related to current, outstanding obligations under the Tennessee Industrial Infrastructure program (TIIP, administration of the community development block grant program (CDBG); and the energy division to the Department of Finance and Administration, effective June 30, 2002.
- Abolishes the Department of Tourist Development, effective July 1, 2002 and transfers the operation of welcome centers to the Department of Transportation, effective June 30, 2002.
- Limits funds distributed by the state to counties for county aid funds to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Limits funds distributed by the state to municipalities for municipal aid funds to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Limits funds distributed by the state pursuant to collection of gross receipts taxes outlined in TCA 57-4-301(c) to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Limits funds distributed by the state to counties and municipalities pursuant to the beer barrelage tax to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Limits funds distributed by the state to municipalities from the delivery and sale of seized liquor to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Limits funds distributed by the state to municipalities from TCA 57-9-201, beverages owned, possessed or sold by unlicensed persons deemed contraband - Untaxed alcoholic beverages - Seizure and sale, to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Limits funds distributed by the state to counties from oil and gas severance taxes to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Limits funds distributed by the state to municipalities from Hall Income Tax Revenue to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Limits funds collected and distributed by the state from gasoline taxes to local governments to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.

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- Limits funds collected and distributed by the state from diesel fuel taxes to local governments to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Limits funds collected and distributed by the state from the special privilege and export tax to local governments to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Limits funds collected and distributed by the state from liquefied gas tax to local governments to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Transfers any remaining balance in the Local Parks Land Acquisition Fund on June 30, 2002 to the general fund. Going forward transfers 1.75 cents of each transaction of the realty transfer tax to the general fund.
- Transfers any remaining balance in the State Land Acquisition Fund on June 30, 2002 to the general fund. Going forward transfers 1.5 cents of each transaction of the realty transfer tax to the general fund.
- Limits funds distributed to municipalities from the excise tax to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Limits funds distributed to local governments from state shared sales tax revenue to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Limits funds distributed to local governments from TVA in lieu of tax payment revenue to the FY 01-02 level and allocates revenue over the FY 01-02 base amount to the general fund.
- Limits enrollment in the TennCare program, effective January 1, 2003, to those persons designated as eligible for medical assistance under federal law (Medicaid).

ESTIMATED FISCAL IMPACT:

Increase State Revenues - \$18,024,500

Decrease State Revenues - \$18,000,000

State Revenues - Shifts \$10,198,000 one-time and \$6,502,000 recurring from dedicated revenues to the general fund.

**Increase State Expenditures - \$45,000,000 Recurring
\$308,000 One-Time**

**Decrease State Expenditures - \$132,545,000 FY 02-03
Exceeds \$219,000,000 FY 03-04**

Decrease Local Govt. Revenues - \$18,024,500

Increase Local Govt. Expenditures - Exceeds \$10,000,000

Other Fiscal Impact:

Decrease Federal Expenditures - \$679,817,200

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Transfers responsibility for operating welcome centers from the Department of Tourist Development to the Department of Transportation. Funding for operation of the welcome centers is currently funded through the highway fund.

Estimate does not include the potential of again receiving federal DSH payments for hospitals, as was the case prior to TennCare. The amount of such funds based on current payments to other states is estimated at \$250,000,000, but would require state matching funds.

The state will not receive \$22,071,900 in pharmacy rebates that would have been received with the current enrollment level in TennCare.

Estimate assumes the following:

- A recurring increase in state revenues estimated to be \$18,024,500 that results from freezing state-shared taxes at FY 01-02 level and allocating any growth in those revenues to the general fund.
- A decrease in state revenues estimated at \$18,000,000 resulting from reduced collections in premium taxes as a result of downsizing the TennCare program, \$18,000,000.
- A shift in state revenues to the general fund of \$10,198,000 one-time and \$6,502,000 recurring as follows:
 - \$6,118,000 resulting from transferring the balance from the Local Parks Acquisition Fund to the General Fund.
 - \$4,080,000 resulting from transferring the balance from the State Land Acquisition Fund to the General Fund.
 - \$3,501,000 from allocating to the general fund the 1.75 cents of the Realty Transfer Tax that under current law is earmarked for the Local Parks Acquisition Fund.
 - \$3,001,000 from allocating to the general fund the 1.5 cents of the Realty Transfer Tax that under current law is earmarked for the State Land Acquisition Fund.
- An increase in state expenditures estimated at \$45,000,000 recurring and \$308,000 one time from the following:
 - \$45,000,000 that would have to be appropriated annually to the Department of Mental Health and Developmental Disabilities for RMHI expenditures currently paid for through TennCare.
 - \$308,000 in one-time costs in the Department of Revenue for MIS System Modification Costs associated with implementing provisions of the bill.
- A decrease in state expenditures estimated to be \$132,545,000 in FY 02/03 and \$219,000,000 in FY 03-04 of which:
 - \$38,161,400 results from abolishing the Department of Economic and Community Development

- \$7,883,800 results from abolishing the Department of Tourist Development
 - \$173,000,000 from limiting TennCare enrollment to the Medicaid population, which assumes using income criteria as the main factor in determining eligibility. (\$86,500,000 in FY 02/03, which assumes implementation of the TennCare revisions cannot be fully implemented until January 2003).
- A decrease in local government revenues estimated to be \$18,024,500 as the result of freezing state-shared taxes at FY 01-02 level and allocating any growth in those revenues to the general fund.
 - An increase in local government expenditures estimated to exceed \$10,000,000 which represents increased costs to local governments of providing charity care through tertiary and safety net hospitals that are county owned.
 - A decrease in federal government expenditures in the first full year estimated to be \$679,817,200 of which:
 - \$371,734,000 results from limiting enrollment of TennCare to Medicaid eligible residents of Tennessee resulting in reduced federal participation in funding for capitation payments.
 - \$155,000,000 resulting from reduced federal CPE payments
 - \$113,629,000 resulting from reduced federal participation in dual pharmacy, BHO capitation payments, BHO pharmacy and children services.
 - \$39,454,200 results from abolishing the Department of Economic and Community Development which represents the federal share of that Department's funding.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director